

Microfinance Non-Financial Services: A Key for Poverty Alleviation? Lessons from Mexico

Paper co-authored with Pamela Lenton and Paul Mosley

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Abstract:

It has become common to try and increase the effectiveness of microfinance programs by adding supplementary services to the financial product. However, the added value accruing from this 'credit-plus' approach has been little analyzed. We hypothesize that the extent of added value from credit-plus depends on the ability of the credit supplier to cultivate trust, or social capital, amongst clients. Applying difference-in-difference estimation, we exploit a natural experiment of two 'credit-plus' microfinance programs in Mexico. The findings suggest that credit-plus is not universally effective, but that it is at its most effective, especially with low-income groups, where 'bonding' social capital exists.

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Location: Seminar Room R42.2.110 (ground floor) of the Université libre de Bruxelles (ULB), Solvay Brussels School of Economics and Management

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